

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-11 EUR-25 ADP-00 L-03 AGR-20 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 IGA-02 DODE-00 PA-03 PRS-01 H-02 USIE-00

INRE-00 SSO-00 NSCE-00 /176 R

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ARA/ BR: SLOW

L/ EB: CJPITMAN

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

INFO AMEMBASSY LONDON

AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L STATE 080360

E. O. 11652: ADS

TAGS: ETRD

SUBJECT: SOLUBLE COFFEE - BRAZILIAN PROPOSAL TO TERMINATE
AGREEMENT

REFERENCE: BRASILIA'S 2428

FOR AMBASSADOR

1. WE APPRECIATE YOUR VIGOROUS PRESENTATION OF U. S.
POSITION IN DISCUSSION WITH MINISTER PRATINI. APPROACH
YOU ADOPTED PRECISELY THAT WHICH WE DESIRED.

2. ON BASIS OF YOUR ACCOUNT OF DISCUSSION, THERE DOES
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NOT APPEAR TO BE ANY POSSIBILITY OF RECONCILING

MUTUALLY EXCLUSIVE POSITIONS OF GOB AND USG ON BRAZIL' S
LEGAL OBLIGATIONS UNDER SOLUBLE AGREEMENT. MINISTER
MADE CLEAR THAT IT IS GOB' S CONSIDERED LEGAL JUDGMENT
THAT SOLUBLE AGREEMENT BECAME INOPERATIVE WHEN ICA QUOTAS
LAPSED. WE FIND THIS POSITION WHOLLY UNSUPPORTED BY TERMS
OF BILATERAL AND CANNOT ACCEPT IT.

3. SINCE FURTHER EXCHANGE ON RESPECTIVE LEGAL POSITIONS
APPEARS UNREWARDING, WE SUGGEST THAT YOU SEEK TO FOCUS
MONDAY MEETING ON IMPLICATIONS OF BRAZILIAN TERMINATION

FOR US- BRAZILIAN RELATIONS. WE NOTE MINISTER' S APPARENT
JUDGMENT OF INDUSTRY REACTION TO PROPOSED TERMINATION
COMPENSATION. IT SHOULD BE POINTED OUT THAT VIEWS
HE REFLECTS NOT REPRESENTATIVE OF THOSE EXPRESSED TO US.
MORE IMPORTANTLY THERE ARE OTHERS SERIOUSLY CONCERNED.
WE HAVE ALL ALONG INSISTED THIS IS GOVERNMENT- TO-
GOVERNMENT AGREEMENT AND ATTITUDES WITHIN USG CANNOT HELP
BUT BE AFFECTED BY UNILATERAL ACTION OF THIS KIND.
BEYOND THIS MANY MEMBERS OF CONGRESS HAVE EXPRESSED
STRONG VIEWS ON THIS ISSUE AND WERE ONLY PREPARED TO
APPROVE EXTENSION OF ICA IMPLEMENTING LEGISLATION ON
BASIS OF CONCLUSION OF SOLUBLE AGREEMENT. NOT ONLY WILL
FUTURE COOPERATION ON COFFEE INEVITABLY BE AFFECTED,
BUT BELIEVE THAT ATTITUDES IN OTHER COMMODITIES
AND ECONOMIC AREAS CANNOT HELP BUT BE INFLUENCED. THUS
WE HOPE GOB WILL WEIGH CAREFULLY EFFECT OF ITS PROPOSED
ACTION ON RELATIONS WITH US.

4. THROUGH TERMS OF ITS TERMINATION ACTION GOB CAN,
OF COURSE, MATERIALLY ENHANCE OR DIMINISH POTENTIAL
DAMAGE TO OUR ECONOMIC RELATIONS. CLOSER GOB' S ACTION
APPROXIMATES FULL COMPLIANCE, LESS HARM IT LIKELY TO
INFLECT. IN THAT SENSE, ALLOCATION OF FULL QUARTER' S
QUOTA WOULD BE MORE IN INTERESTS OF BOTH COUNTRIES THAN
TWO- THIRDS OF QUARTER OFFERED SO FAR. CORRESPONDINGLY,
BRAZILIAN FULFILLMENT OF ITS OBLIGATIONS UP TO TIME OF
OUR RECEIPT OF NOTIFICATION TO TERMINATE WOULD REPRESENT
MARKED IMPROVEMENT OVER PRESENT OFFER. THIS WOULD ALSO
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APPEAR TO REFLECT GREATER ELEMENT OF GOOD FAITH ON PART
OF GOB AND RECOGNITION, IN SOME SENSE, OF IMPORTANCE
OF COMMITMENTS ENTERED INTO BY SOVEREIGN STATES. IN
FINAL ANALYSIS DECISION ON COMPENSATION IS BRAZIL' S OWN;
NO USG BLESSING CAN BE EXPECTED FOR ANYTHING LESS THAN
FULL COMPLIANCE. ROGERS

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*** Current Classification *** CONFIDENTIAL

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